

Message Text

LIMITED OFFICIAL USE POSS DUPE

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 ABF-01 /088 W

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 297

INFO USDOC WASHDC

LIMITED OFFICIAL USE LA PAZ 2791

E.O. 11652: N/A

TAGS: ETRD, BL

SUBJECT: GOB EMBARGOS IMPORTS OF AUTOMOBILES
AND IMPOSES TARIFF SURCHARGES ON
ADDITIONAL PRODUCTS

1. BEGIN UNCLASSIFIED. ON MARCH 18, 1976 THE
GOB PUT INTO EFFECT A SUPREME DECREE IMPOSING
AN EMBARGO IN IMPORTS OF AUTOMOBILES FOR PRIVATE
USE AND LEVYING TARIFF SURCHARGES ON A WIDE
VARIETY OF AOTHER PRODUCTS. THE DECREE WAS
ACTUALLY FIRST ANNOUNCED IN MID-FEBRUARY AND
IS DATED FEBRUARY 14, 1976, BUT WAS DELAYED
WHILE THE GOB STUDIED THE MATTER FURTHER.
RESULT OF STUDY WAS REVISION OF DECREE TO
INCLUDE JEEPS, TRUCKS, 4-WHEEL DRIVE VEHICLES,
AND STATION WAGONS UNDER EMBARGO. COPY OF DECREE
BEING SENT BY AIRGRAM.

2. GOB HAS JUSTIFIED MEASURE ON BASIS THAT
1975 IMPORTS OF AUTOMOBILES FOR PERSONAL USE
ADVERSELY AFFECTED BALANCE OF PAYMENTS AND
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THAT DECREE WOULD BE TEMPORARY, PENDING AN
IMPROVED EXPORT SITUATION. VEHICLES IMPORTED

FOR USE IN TECHNICAL ASSISTANCE PROGRAMS
SPONSORED BY INTERNATIONAL INSTITUTIONS ON
BILATERAL AID PROGRAMS ARE EXEMPTED FROM
EMBARGO, AS ARE THOSE IMPORTED BY PUBLIC TAXI
SERVICE. TAXI IMPORTS SUBJECT TO APPROVAL BY
MINISTER OF TRANSPORTATION, COMMUNICATIONS
AND CIVIL AVIATION.

3. SURCHARGES ON OTHER PRODUCTS ARE OF BROAD
RANGE. 3 PERCENT AD VALOREM CIF SURCHARGE
WILL BE ELEVED ON MANY BASIC FOOD PRODUCTS,
FUELS, PAPER PRODUCTS AND ANIMAL FEEDS.
DECREE ALSO IMPOSES SURCHARGES RANGING FROM
10-70 PERCENT AD VALOREM CIF ON SEVERAL
PROCESSED FOOD PRODUCTS, COSMETIC LUXURY ITEMS, AND
HOUSEHOLD APPLIANCES. END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE.

COMMENT:

THE GOB MEASURES WERE ANNOUNCED AT A TIME WHEN
THE CENTRAL BANK'S NET FOREIGN EXCHANGE RESERVES
HAD DROPPED FROM THE END OF YEAR'S US\$ 115
MILLION TO US\$ 94 MILLION ON FEBRUARY 10,
1976. RESERVES SUBSEQUENTLY BOUNCED BACK UP
TO SLIGHTLY OVER US\$ 100 MILLION (IN PART
BECAUSE OF EXTERNAL FINANCING) AND HAVE
REMAINED AT THAT LEVEL. THE DECREE
DEMONSTRATES THAT FOREIGN EXCHANGE RESERVES
REMAIN A MAJOR CRITERIA FOR GOB ECONOMIC
POLICY, AND THAT GOB IS DETERMINED TO MAINTAIN
RESERVES AT A LEVEL WHICH AVOIDS THE NEED
FOR DEVALUATION. DUE TO ONE MONTH DELAY IN
IMPLEMENTATION, AUTO DEALERS AND OTHER
IMPORTERS HAD TIME TO GET NEW ORDERS IN (AND
AUTO INVENTORIES WERE REPORTEDLY ALREADY VERY
HIGH) SO THAT THE MEASURE HAS A CERTAIN ASPECT
OF CLOSING THE BARN DOOR. HOWEVER, ASSUMING THIS
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MEASURE IS RETAINED AND ENFORCED, IT SHOULD
OVER LONGER TERM REDUCE IMPORTS OF VEHICLES
AND SOME OTHER HIGH-COST CONSUMER ITEMS. END
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